

# INDEPENDENT AUDITOR'S REPORT

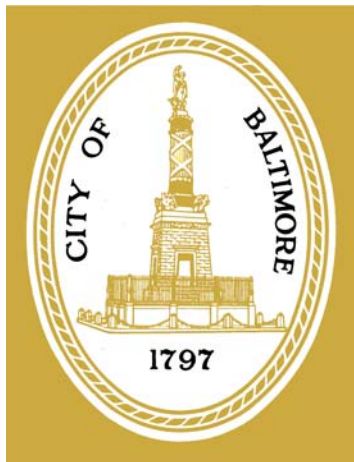
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## **THE WAR MEMORIAL COMMISSION**

FOR THE FISCAL YEAR ENDED

JUNE 30, 2001

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**City of Baltimore  
Department of Audits**

**AUDIT REPORT  
WAR MEMORIAL COMMISSION  
FISCAL YEAR ENDED JUNE 30, 2001**

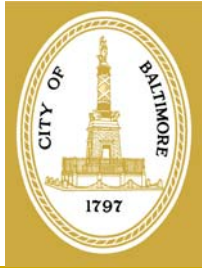
**TABLE OF CONTENTS**

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT.....	1
EXHIBIT A - Computation of State's Fifty Percent Share of Net Expenditures for the Fiscal Year Ended June 30, 2001.....	3
SCHEDULE 1 - Net Expenditures Chargeable to the War Memorial Commission Appropriation Accounts for the Fiscal Years Ended June 30, 2001 and 2000.....	4
NOTES TO FINANCIAL STATEMENTS.....	5
AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.....	6
SCHEDULE OF FINDINGS OF NONCOMPLIANCE .....	8
SCHEDULE OF INTERNAL CONTROL FINDINGS .....	9
ATTACHMENT I – Status of Prior Year’s Findings and Recommendations.....	10

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## CITY OF BALTIMORE

MARTIN O'MALLEY, Mayor



## DEPARTMENT OF AUDITS

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### INDEPENDENT AUDITOR'S REPORT

March 28, 2002

Honorable Joan M. Pratt, Comptroller  
and Other Members of the  
Board of Estimates  
City of Baltimore

We have audited Exhibit A, Computation of State's Fifty Percent Share of Net Expenditures for the Fiscal Year Ended June 30, 2001, and Schedule 1, Net Expenditures Chargeable to the War Memorial Commission Appropriation Accounts for the Fiscal Years Ended June 30, 2001 and June 30, 2000. These financial statements are the responsibility of the War Memorial Commission. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, net costs of operations for the fiscal years ended June 30, 2001 and June 30, 2000, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2002, on our consideration of the War Memorial Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the War Memorial Commission, State of Maryland, and the City of Baltimore management. However, this report is a matter of public record and its distribution is not limited.

Respectfully submitted,

Yovonda D. Brooks, CPA  
City Auditor

EXHIBIT A

WAR MEMORIAL COMMISSION  
COMPUTATION OF STATE'S FIFTY PERCENT SHARE OF NET  
EXPENDITURES FOR THE FISCAL YEAR ENDED JUNE 30, 2001

Net Expenditures Charged to the War Memorial Commission Appropriation Accounts for Fiscal Year 2001 (Schedule 1).....	\$ 291,464
Fifty Percent Thereof Billable to the State.....	\$ 145,732
Balance Due from State from Prior Fiscal Years.....	30,548
Prior Year Billing Adjustment.....	68
Total Due from State.....	176,348
Amount Received from State During Fiscal Year 2001.....	156,000
Net Balance Due from State.....	\$ 20,348

See notes to financial statements.

SCHEDULE 1

WAR MEMORIAL COMMISSION  
NET EXPENDITURES CHARGEABLE TO THE WAR MEMORIAL COMMISSION  
APPROPRIATION ACCOUNTS FOR THE FISCAL YEARS ENDED JUNE 30, 2001 AND 2000

EXPENDITURES:	<u>2001</u>	<u>2000</u>
Salaries.....	\$ 152,630	\$ 145,802
Other Personnel Costs.....	52,786	50,146
Contractual Services:		
Gas, Electric, Steam.....	\$ 68,500	\$ 53,483
Maintenance and Repairs of Real Property.....	2,174	10,611
Telephone.....	3,846	3,872
All Others.....	<u>4,999</u>	<u>3,541</u>
Total Contractual Services.....	79,519	71,507
Materials and Supplies.....	6,529	5,111
Equipment Replacement.....	<u>          </u>	<u>308</u>
Total Expenditures.....	<u>\$ 291,464</u>	<u>\$ 272,874</u>

See notes to financial statements.

## **WAR MEMORIAL COMMISSION NOTES TO FINANCIAL STATEMENTS**

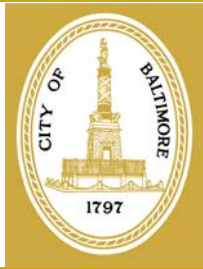
### Background

The War Memorial Commission (Commission) has the authority to spend, at its discretion, such funds as may be appropriated by the General Assembly of Maryland and the Mayor and City Council of Baltimore for the maintenance and administration of the War Memorial Building. This authority is provided by the State Government Article, Sections 9-931 through 9-937 of the *Annotated Code of Maryland*, which establishes the Commission as a unit in the Department of Veterans Affairs of the State of Maryland. The City appropriates funds for operating expenses of the Commission, and all revenues received by the Commission are deposited with the City. The Department of Veterans Affairs of the State of Maryland is billed by the City for one-half of the amount charged to the War Memorial Commission appropriation accounts.

### Significant Accounting Policies

The War Memorial Commission reports to the State of Maryland expenditures as they are recorded (net of miscellaneous revenue) in the governmental funds of the City of Baltimore, except that encumbrances charged to the War Memorial Commission appropriation accounts are not included. This effectively puts the reporting on the modified accrual basis of accounting, in conformity with accounting principles generally accepted in the United States of America.

AUDITOR'S REPORT ON COMPLIANCE AND ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS  
FOR  
THE WAR MEMORIAL COMMISSION  
FISCAL YEAR ENDED  
JUNE 30, 2001



**AUDITOR'S REPORT ON COMPLIANCE AND ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

March 28, 2002

Honorable Joan M. Pratt, Comptroller  
And Other Members of the  
Board of Estimates  
City of Baltimore

We have audited Exhibit A, Computation of State's Fifty Percent Share of Net Expenditures for the Fiscal Year Ended June 30, 2001, and Schedule 1, Net Expenditures Chargeable to the War Memorial Commission Appropriation Accounts for the Fiscal Years Ended June 30, 2001 and June 30, 2000 and have issued our report thereon dated March 28, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the War Memorial Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of material noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance which is described in the accompanying schedule of findings as Condition I.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the War Memorial Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the

design or operation of one or more of the specific internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted an other matter involving the internal control over financial reporting and its operation that is reported as Condition II in the accompanying schedule of internal control findings.

We also followed up on an immaterial instance of noncompliance that was discussed in our prior audit report. We are reporting on this matter in Attachment I of this report.

This report is intended solely for the information and use of the War Memorial Commission, State of Maryland, and the City of Baltimore management. However, this report is a matter of public record and its distribution is not limited.

Respectfully submitted,

Yovonda D. Brooks, CPA  
City Auditor

## **SCHEDULE OF FINDINGS OF NONCOMPLIANCE**

### **IMMATERIAL INSTANCE OF NONCOMPLIANCE**

#### **CONDITION I – WAR MEMORIAL COMMISSION EXPENDITURES INCLUDED DUPLICATE AND EXCESS PAYMENTS OF \$146, UNSUPPORTED PAYMENTS OF \$204 AND UNREIMBURSED COSTS OF \$70**

According to the Annotated Code of Maryland, the War Memorial Commission (Commission) may use, for the maintenance and administration of the War Memorial Building, any funds that the General Assembly or the Mayor and City Council of Baltimore appropriate for those purposes. However, the following items were not accounted for properly by the Commission.

The Commission submitted duplicate expenditure reimbursement requests to the City for a vendor invoice totaling \$76. The Commission received reimbursement of the expenditure for both requests. Additionally, the Commission submitted reimbursement requests to the City for expenditures totaling \$70 in excess of the actual expenditures incurred. The City reimbursed the Commission for these excess expenditures, thereby overpaying the Commission by \$70.

Building repair costs totaling \$204 were incorrectly charged to the Commission's account number in the City's accounting records. The Commission and another City agency were each mistakenly charged for a vendor invoice that belonged to the other respective agency. The invoices were for \$769 and \$565, respectively. The larger amount was charged to the Commission, but belonged to the other City agency, while the opposite was true of the smaller amount.

The Commission incurred \$70 in expenditures for which it did not request City reimbursement (including \$61 for bank service charges).

We recommend that the Commission prepare accurate reimbursement requests to the City and maintain appropriate supporting documentation. Additionally, we recommend that the Commission return the \$76 in duplicate payments to the City, and, process a correcting journal entry for \$204 to correct improperly charged invoices.

## **SCHEDULE OF INTERNAL CONTROL FINDINGS**

### **OTHER MATTERS INVOLVING INTERNAL CONTROLS**

#### **CONDITION II – THE WAR MEMORIAL COMMISSION DID NOT PERFORM MONTHLY BANK RECONCILIATIONS**

Management is responsible for establishing internal control policies and procedures that are sufficient to ensure the accuracy of its financial statements. We believe that monthly bank reconciliations are crucial to ensuring that recorded financial information is accurate and reliable. Additionally, bank reconciliations are an important tool for safeguarding cash. Bank reconciliations were not performed by the Commission.

We recommend that bank reconciliations be performed on a monthly basis. The reconciliation should be reviewed and approved by the Director. Bank reconciliations should be in written form and maintained with other Commission accounting records.

ATTACHMENT I

WAR MEMORIAL COMMISSION

FISCAL YEAR ENDED JUNE 30, 2001

STATUS OF PRIOR YEAR'S

FINDINGS AND RECOMMENDATIONS

(Findings not considered to have a material effect  
on the financial statements)

**ATTACHMENT I**

**WAR MEMORIAL COMMISSION  
FISCAL YEAR ENDED JUNE 30, 2001  
STATUS OF PRIOR YEAR'S FINDINGS AND RECOMMENDATIONS**

**CONDITION I – WAR MEMORIAL COMMISSION EXPENDITURES TOTALING \$132  
WERE NOT IN COMPLIANCE WITH THE ANNOTATED CODE OF  
MARYLAND**

During the fiscal year 2000 audit, we noted that the War Memorial Commission had expenditures totaling \$132 that were not in compliance with the Annotated Code of Maryland.

Duplicate reimbursements	\$ 68
Commissioner meals	<u>64</u>
	<u>\$132</u>

**Current Audit Status**

The duplicate payment of \$68 to the Commission by the City during fiscal year 2000 was repaid during fiscal year 2001. We noted a similar finding during fiscal year 2001 and have included it in CONDITION I of this report.

The Commission incurred meal expenses that exceeded the reimbursement rates permitted by the State Travel Regulations by \$64 during fiscal year 2000. The War Memorial Commission complied with this requirement during fiscal year 2001. This finding has been resolved.